

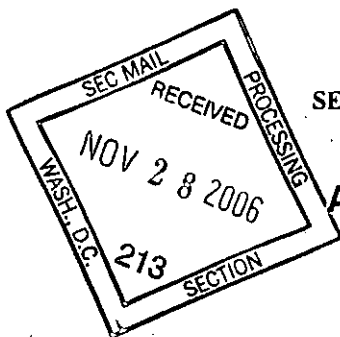


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SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

OMB APPROVAL	
OMB Number:	3235-0123
Expires:	January 31, 2007
Estimated average burden hours per response.....	12.00

SEC FILE NUMBER
8- 29988

**ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III**

FACING PAGE

**Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**REPORT FOR THE PERIOD BEGINNING 10/01/05 AND ENDING 9/30/06  
MM/DD/YY MM/DD/YY**A. REGISTRANT IDENTIFICATION**NAME OF BROKER-DEALER: COVENTRY CAPITAL, INC.

OFFICIAL USE ONLY
<u>14890</u>
FIRM I.D. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

1635 W. FIRST ST., STE. 104GRANITE CITY

(No. and Street)

IL62040

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

BRIAN F. SPENGEMANN312-642-6408

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

DAVIS KELLER & WIGGINS, LLC

(Name - if individual, state last, first, middle name)

2025 CRAIGSHIRE, SUITE 130ST. LOUIS, MO 63146

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

☒ Certified Public Accountant☐ Public Accountant☐ Accountant not resident in United States or any of its possessions.**PROCESSED****DEC 11 2006****THOMSON  
FINANCIAL****FOR OFFICIAL USE ONLY**

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

## OATH OR AFFIRMATION

I, BRIAN F. SPENGEMANN, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of COVENTRY CAPITAL, INC., as of SEPTEMBER 30, 20 06, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Brian F. Spengemann  
Signature

PRESIDENT

Title

Janice Quin  
Notary Public



This report \*\* contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☒ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☒ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☒ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☒ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☒ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

**\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).**

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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Form  
X-17A-5

**FOCUS REPORT**  
(Financial and Operational Combined Uniform Single Report)  
**PART IIA** 12

(Please read instructions before preparing Form.)

This report is being filed pursuant to (Check Applicable Block(s)):

1) Rule 17a-5(a) ☒ 16

2) Rule 17a-5(b) ☐ 17

3) Rule 17a-11 ☐ 18

4) Special request by designated examining authority ☒ 19

5) Other ☐ 26

NAME OF BROKER-DEALER

COVENTRY CAPITAL, INC.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS (Do Not Use P.O. Box No.)

1635 W. FIRST ST., STE. 104

(No. and Street)

GRANITE CITY

(City)

IL

(State)

62040

(Zip Code)

SEC FILE NO.

8-29988

FIRM I.D. NO.

014890

FOR PERIOD BEGINNING (MM/DD/YY)

10/01/05

AND ENDING (MM/DD/YY)

09/30/06

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

(Area Code) — Telephone No.

312-642-6408

NAME(S) OF SUBSIDIARIES OR AFFILIATES CONSOLIDATED IN THIS REPORT:

DOES RESPONDENT CARRY ITS OWN CUSTOMER ACCOUNTS?

YES

☐ 40

NO

☒ 41

CHECK HERE IF RESPONDENT IS FILING AN AUDITED REPORT

☒ 42

**EXECUTION:**

The registrant/broker or dealer submitting this Form and its attachments and the person(s) by whom it is executed represent hereby that all information contained therein is true, correct and complete. It is understood that all required items, statements, and schedules are considered integral parts of this Form and that the submission of any amendment represents that all unamended items, statements and schedules remain true, correct and complete as previously submitted.

Dated the 23 day of November 2006

Manual signatures of:

1)

Principal Executive Officer or Managing Partner

2)

Principal Financial Officer or Partner

3)

Principal Operations Officer or Partner

**ATTENTION** — Intentional misstatements or omissions of facts constitute Federal Criminal Violations. (See 18 U.S.C. 1001 and 15 U.S.C. 78f(a))

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

SEC 1696 (02-03) 1 of 16

**TO BE COMPLETED WITH THE ANNUAL AUDIT REPORT ONLY:**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report

NAME (If individual, state last, first, middle name)

DAVIS KELLER & WIGGINS, LLC

70

ADDRESS

2025 CRAIGSHIRE, STE. 130

ST. LOUIS

MO

63146

71

72

73

74

Number and Street

City

State

Zip Code

CHECK ONE

☒ Certified Public Accountant

75

☐ Public Accountant

76

☐ Accountant not resident in United States  
or any of its possessions

77

FOR SEC USE

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DO NOT WRITE UNDER THIS LINE . . . FOR SEC USE ONLY

WORK LOCATION	REPORT DATE MM/DD/YY	DOC. SEQ. NO.	CARD				
50	51	52	53				

# FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

## PART IIA

 BROKER OR DEALER  
1

COVENTRY CAPITAL, INC.

**N3**

100

### STATEMENT OF FINANCIAL CONDITION FOR NONCARRYING, NONCLEARING AND CERTAIN OTHER BROKERS OR DEALERS

as of (MM/DD/YY) 9/30/06

SEC FILE NO. 8-29988

Consolidated

Unconsolidated

X

99
98
198
199

	Allowable	Non-Allowable	Total
1. Cash .....	\$ 360 200		\$ 360 750
2. Receivables from brokers or dealers:			
A. Clearance account .....	12561 295		12561
B. Other .....	300	550	810
3. Receivable from non-customers .....	9100 355	78428 600	87528 830
4. Securities and spot commodities owned at market value:			
A. Exempted securities .....	418		
B. Debt securities .....	419		
C. Options .....	420		
D. Other securities .....	424		
E. Spot commodities .....	430		850
5. Securities and/or other investments not readily marketable:			
A. At cost \$ .....	130		
B. At estimated fair value .....	440	610	860
6. Securities borrowed under subordination agreements and partners' individual and capital securities accounts, at market value:			
A. Exempted securities \$ .....	150		
B. Other securities \$ .....	160		
7. Secured demand notes: .....	470	640	890
Market value of collateral:			
A. Exempted securities \$ .....	170		
B. Other securities \$ .....	180		
8. Memberships in exchanges:			
A. Owned, at market \$ .....	190		
B. Owned, at cost .....		650	
C. Contributed for use of the company, at market value .....		660	900
9. Investment in and receivables from affiliates, subsidiaries and associated partnerships .....	480	670	910
10. Property, furniture, equipment, leasehold improvements and rights under lease agreements, at cost-net of accumulated depreciation and amortization .....	490	680	920
11. Other assets .....	89 535	735	89 930
12. TOTAL ASSETS .....	\$ 22110 540	\$ 78428 740	\$ 100538 940

OMIT PENNIES

# FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

## PART IIA

BROKER OR DEALER

COVENTRY CAPITAL, INC.

as of 9/30/06

### STATEMENT OF FINANCIAL CONDITION FOR NONCARRYING, NONCLEARING AND CERTAIN OTHER BROKERS OR DEALERS

#### LIABILITIES AND OWNERSHIP EQUITY

Liabilities	A.I. Liabilities	Non-A.I. Liabilities	Total
13. Bank loans payable .....	\$ 1045	\$ 1255	\$ 1470
14. Payable to brokers or dealers:			
A. Clearance account .....	1114	1315	1560
B. Other .....	1115	1305	1540
15. Payable to non-customers .....	1155	1355	1610
16. Securities sold not yet purchased, at market value .....		1360	1620
17. Accounts payable, accrued liabilities, expenses and other .....	12201 1205	1385	12201 1685
18. Notes and mortgages payable:			
A. Unsecured .....	1210		1690
B. Secured .....	1211	1390	1700
19. E. Liabilities subordinated to claims of general creditors:			
A. Cash borrowings: .....		1400	1710
1. from outsiders \$ 970			
2. includes equity subordination (15c3-1(d)) of ... \$ 980			
B. Securities borrowings, at market value from outsiders \$ 990		1410	1720
C. Pursuant to secured demand note collateral agreements .....		1420	1730
1. from outsiders \$ 1000			
2. includes equity subordination (15c3-1(d)) of ... \$ 1010			
D. Exchange memberships contributed for use of company, at market value .....		1430	1740
E. Accounts and other borrowings not qualified for net capital purposes .....	1220	1440	1750
20. TOTAL LIABILITIES .....	\$ 12201 1230	\$ 1450	\$ 12201 1760
<b>Ownership Equity</b>			
21. Sole Proprietorship .....			1770
22. Partnership (limited partners) .....	11 (\$ 1020)		1780
23. Corporation:			
A. Preferred stock .....			1791
B. Common stock .....		95000	1792
C. Additional paid-in capital .....		1000	1793
D. Retained earnings .....		(7663)	1794
E. Total .....		88337	1795
F. Less capital stock in treasury .....		( )	1796
24. TOTAL OWNERSHIP EQUITY .....		\$ 88337	1800
25. TOTAL LIABILITIES AND OWNERSHIP EQUITY .....		\$ 100538	1810

OMIT PENNIES

# FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

## PART IIA

BROKER OR DEALER

COVENTRY CAPITAL, INC.

as of 9/30/06

### COMPUTATION OF NET CAPITAL

1. Total ownership equity from Statement of Financial Condition .....	\$	88337		3480
2. Deduct ownership equity not allowable for Net Capital .....	19	( )		3490
3. Total ownership equity qualified for Net Capital .....				3500
4. Add:				
A. Liabilities subordinated to claims of general creditors allowable in computation of net capital .....				3520
B. Other (deductions) or allowable credits (List) .....				3525
5. Total capital and allowable subordinated liabilities .....	\$	88337		3530
6. Deductions and/or charges:				
A. Total non-allowable assets from				
Statement of Financial Condition (Notes B and C) .....	17	\$ 78428		3540
B. Secured demand note delinquency .....				3590
C. Commodity futures contracts and spot commodities -				
proprietary capital charges .....				3600
D. Other deductions and/or charges .....				3610
7. Other additions and/or allowable credits (List) .....			( 78428 )	3620
8. Net capital before haircuts on securities positions .....	20	\$ 9909		3630
9. Haircuts on securities (computed, where applicable, pursuant to 15c3-1(f)):				
A. Contractual securities commitments .....				3660
B. Subordinated securities borrowings .....				3670
C. Trading and investment securities:				
1. Exempted securities .....	18			3735
2. Debt securities .....				3733
3. Options .....				3730
4. Other securities .....		691		3734
D. Undue Concentration .....				3650
E. Other (List) .....			( 691 )	3740
10. Net Capital .....	\$	9218		3750

OMIT PENNIES

# FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

## PART IIA

BROKER OR DEALER

COVENTRY CAPITAL, INC.

as of 9/30/06

### COMPUTATION OF NET CAPITAL REQUIREMENT

#### Part A

11. Minimum net capital required (6 $\frac{2}{3}$ % of line 19) .....	\$ 814	3756
12. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A) .....	\$ 5000	3758
13. Net capital requirement (greater of line 11 or 12) .....	\$ 5000	3760
14. Excess net capital (line 10 less 13) .....	\$ 4218	3770
15. Excess net capital at 1000% (line 10 less 10% of line 19) .....	\$	3780

### COMPUTATION OF AGGREGATE INDEBTEDNESS

16. Total A.I. liabilities from Statement of Financial Condition .....	\$ 12201	3790
17. Add:		
A. Drafts for immediate credit .....	\$ 3800	
B. Market value of securities borrowed for which no equivalent value is paid or credited .....	\$ 3810	
C. Other unrecorded amounts (List) .....	\$ 3820	
18. Total aggregate indebtedness .....	\$ 12201	3830
19. Percentage of aggregate indebtedness to net capital (line 18 ÷ by line 10) .....	% 132	3850
20. Percentage of debt to debt-equity total computed in accordance with Rule 15c3-1(d) .....	%	3860

### COMPUTATION OF ALTERNATE NET CAPITAL REQUIREMENT

#### Part B

21. 2% of combined aggregate debit items as shown in Formula for Reserve Requirements pursuant to Rule 15c3-3 prepared as of the date of the net capital computation including both brokers or dealers and consolidated subsidiaries' debits .....	\$	3970
22. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A) .....	\$	3880
23. Net capital requirement (greater of line 21 or 22) .....	\$	3760
24. Excess capital (line 10 less 23) .....	\$	3910
25. Net capital in excess of the greater of:		
A. 5% of combined aggregate debit items or \$120,000 .....	\$	3920

#### NOTES:

- (A) The minimum net capital requirement should be computed by adding the minimum dollar net capital requirement of the reporting broker dealer and, for each subsidiary to be consolidated, the greater of:
1. Minimum dollar net capital requirement, or
  2. 6 $\frac{2}{3}$ % of aggregate indebtedness or 4% of aggregate debits if alternative method is used.
- (B) Do not deduct the value of securities borrowed under subordination agreements or secured demand note covered by subordination agreements not in satisfactory form and the market values of memberships in exchanges contributed for use of company (contra to item 1740) and partners' securities which were included in non-allowable assets.
- (C) For reports filed pursuant to paragraph (d) of Rule 17a-5, respondent should provide a list of material non-allowable assets.



# FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

## PART IIA

BROKER OR DEALER

COVENTRY CAPITAL, INC.

For the period (MMDDYY) from 1001053932 to 0930063933  
 Number of months included in this statement 12 3931

### STATEMENT OF INCOME (LOSS)

#### REVENUE

1. Commissions:		
a. Commissions on transactions in exchange listed equity securities executed on an exchange	\$ 129312	3935
b. Commissions on listed option transactions	25	3938
c. All other securities commissions		3939
d. Total securities commissions		3940
2. Gains or losses on firm securities trading accounts		
a. From market making in options on a national securities exchange		3945
b. From all other trading		3949
c. Total gain (loss)		3950
3. Gains or losses on firm securities investment accounts		3952
4. Profit (loss) from underwriting and selling groups	26	3955
5. Revenue from sale of investment company shares		3970
6. Commodities revenue		3990
7. Fees for account supervision, investment advisory and administrative services	35022	3975
8. Other revenue	4296	3995
9. Total revenue	\$ 168630	4030

#### EXPENSES

10. Salaries and other employment costs for general partners and voting stockholder officers	45000	4120
11. Other employee compensation and benefits	7628	4115
12. Commissions paid to other broker-dealers		4140
13. Interest expense		4075
a. Includes interest on accounts subject to subordination agreements	4070	
14. Regulatory fees and expenses	1870	4195
15. Other expenses	89428	4100
16. Total expenses	\$ 143926	4200

#### NET INCOME

17. Income (loss) before Federal income taxes and items below (Item 9 less Item 16)	\$ 24704	4210
18. Provision for Federal income taxes (for parent only)	21	4220
19. Equity in earnings (losses) of unconsolidated subsidiaries not included above	5195	4222
a. After Federal income taxes of	4338	
20. Extraordinary gains (losses)		4224
a. After Federal income taxes of	4239	
21. Cumulative effect of changes in accounting principles		4225
22. Net income (loss) after Federal income taxes and extraordinary items	\$ 19509	4230

#### MONTHLY INCOME

23. Income (current month only) before provision for Federal income taxes and extraordinary items	\$ (2761)	4211
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# FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

## PART IIA

BROKER OR DEALER

COVENTRY CAPITAL, INC.

For the period (MMDDYY) from 10/01/05 to 9/30/06

### STATEMENT OF CHANGES IN OWNERSHIP EQUITY (SOLE PROPRIETORSHIP, PARTNERSHIP OR CORPORATION)

1. Balance, beginning of period .....	\$ 69242	4240
A. Net income (loss) .....	19509	4250
B. Additions (Includes non-conforming capital of .....	29 \$ 4262	4260
C. Deductions (Includes non-conforming capital of .....	\$ 414 4272	4270
2. Balance, end of period (From item 1800) .....	\$ 88337	4290

### STATEMENT OF CHANGES IN LIABILITIES SUBORDINATED TO CLAIMS OF GENERAL CREDITORS

3. Balance, beginning of period .....	\$ 0	4300
A. Increases .....		4310
B. Decreases .....		4320
4. Balance, end of period (From item 3520) .....	\$ 0	4330

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# FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT PART IIA

BROKER OR DEALER

COVENTRY CAPITAL, INC.

as of 9/30/06

## EXEMPTIVE PROVISION UNDER RULE 15c3-3

24. If an exemption from Rule 15c3-1 is claimed, identify below the section upon which such exemption is based (check one only)

- |  |      |
|--|------|
| A. (k)(1) — \$2,500 capital category as per Rule 15c3-1 .....  | 4550 |
| B. (k)(2)(A) — "Special Account for the Exclusive Benefit of customers" maintained .....                   | 4560 |
| C. (k)(2)(B) — All customer transactions cleared through another broker-dealer on a fully disclosed basis. |      |
| Name of clearing firm <sup>50</sup> <u>RBC DAIN RAUSCHER</u> <span style="float: right;">4335</span>       | 4570 |
| D. (k)(3) — Exempted by order of the Commission (include copy of letter) .....                             | 4580 |

Ownership Equity and Subordinated Liabilities maturing or proposed to be withdrawn within the next six months and accruals, (as defined below), which have not been deducted in the computation of Net Capital.

Type of Proposed Withdrawal or Accrual (See below for code)	Name of Lender or Contributor	Insider or Outsider? (In or Out)	Amount to be Withdrawn (cash amount and/or Net Capital Value of Securities)	(MMDDYY) Withdrawal or Maturity Date	Expect to Renew (Yes or No)
31 4600	4601	4602	4603	4604	4605
32 4610	4611	4612	4613	4614	4615
33 4620	4621	4622	4623	4624	4625
34 4630	4631	4632	4633	4634	4635
35 4640	4641	4642	4643	4644	4645
			Total \$ <sup>56</sup>	4699	

OMIT PENNIES

Instructions: Detail Listing must include the total of items maturing during the six month period following the report date, regardless of whether or not the capital contribution is expected to be renewed. The schedule must also include proposed capital withdrawals scheduled within the six month period following the report date including the proposed redemption of stock and anticipated accruals which would cause a reduction of Net Capital. These anticipated accruals would include amounts of bonuses, partners' drawing accounts, taxes, and interest on capital, voluntary contributions to pension or profit sharing plans, etc., which have not been deducted in the computation of Net Capital, but which you anticipate will be paid within the next six months.

### WITHDRAWAL CODE:

- 1.
- 2.
- 3.

### DESCRIPTIONS

- Equity Capital
- Subordinated Liabilities
- Accruals

COVENTRY CAPITAL, INC.  
RECONCILIATION OF THE AUDITED  
COMPUTATION OF NET CAPITAL AND BROKER/DEALER'S  
CORRESPONDING UNAUDITED PART IIA

	UNAUDITED PART II 09/30/06					AUDITED PART II 09/30/06						
	DEBIT	CREDIT	NON-ALLW ASSETS	LIAB	A.I.	AUDIT JOURNAL DEBIT	REPORT ENTRIES CREDIT	DEBIT	CREDIT	NON-ALLW ASSETS	LIAB	A.I.
CASH-CHECKING	4							4				
CLEARING-CEF												
CLEARING ACCT	12,415				(5)	502		12,917				
SAFEKEEPING ACCT					(1)	89		89				
INTEREST RECEIVABLE	9,100				(2)	3,585		9,100				
A/R TRANSACTIONS	74,843		74,843					78,428		78,428		
DUE FROM OFFICER												
DEPOSIT-RENT												
OFFICE EQUIPMENT	56,464				(6)	2,625		59,089				
A/D OFFICE EQUIPMENT		56,464					2,625					
CSV-LIFE INSURANCE												
ACCOUNTS PAYABLE		319		319			3,475		3,793		3,793	3,793
DEFERRED INCOME TAXES		2,272		2,272	(3)	1,816			456		456	456
PAYROLL TAXES					(9)		85		85		85	85
INCOME TAX PAYABLE					(8)		7,867		7,867		7,867	2,472
CAPITAL STOCK		95,000							95,000			
PAID IN CAPITAL		1,000							1,000			
TREASURY STOCK												
UNREALIZED GAIN OF SECURITY		2,585			(7)	414			2,171			
RETAINED EARNINGS	4,814				(10)	5,021		9,834				
	157,640	157,640	74,843	2,591	2,591	14,052	14,052	169,461	169,461	78,428	12,201	6,806

(11)

- |  |   |
|--|---|
| (1) RECORD INTEREST RECEIVABLE ON BOND   | (7) ADJUST UNREALIZED LOSS ON SECURITY  |
| (2) RECORD CHANGES TO OFFICER LOAN ACCT. | (8) RECORD INCOME TAX LIABILITY FOR Y/E |
| (3) ADJUST DEFERRED TAXES                | (9) ADJUST P/R TAXES FOR Y/E            |
| (4) ADJUST ACCUM. DEPRN. FOR YEAR        | (10) RECORD NET EFFECT ON R/E FOR AJE'S |
| (5) ADJUST TO FMV                        | (11) RECORD ADDITIONAL PAYABLE          |
| (6) EXPENSE RECLASSIFICATION             |   |



**DAVIS  
KELLER  
& WIGGINS**

CERTIFIED PUBLIC ACCOUNTANTS LLC & CONSULTANTS

Board of Directors  
Coventry Capital, Inc.  
Granite City, Illinois

In planning and performing our audit of the financial statements of Coventry Capital, Inc. for the year ended September 30, 2006, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. However, we noted certain matters involving the internal control and its operations that we consider reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Due to the fact that one person functions as accountant, manager, and owner, it is impossible or impracticable to implement significant internal controls within the organization.

This report is intended for the information and use by the board of directors and the Securities and Exchange Commission.

St. Louis, Missouri  
November 7, 2006

**COVENTRY CAPITAL, INC.**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED SEPTEMBER 30, 2006 AND 2005**

## CONTENTS

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	Pages
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS	1
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL CONDITION	2
STATEMENTS OF INCOME AND COMPREHENSIVE INCOME	3
STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY	4
STATEMENTS OF CASH FLOWS	5
NOTES TO FINANCIAL STATEMENTS	6-9
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON SUPPLEMENTARY FINANCIAL INFORMATION	10
SUPPLEMENTARY INFORMATION	
SCHEDULES OF COMPUTATION OF NET CAPITAL	11
SUPPLEMENTAL REPORT ON MATERIAL INADEQUACIES	12
SCHEDULES OF CHANGES IN SUBORDINATED LIABILITIES	13



**DAVIS  
KELLER  
& WIGGINS**

CERTIFIED PUBLIC ACCOUNTANTS LLC & CONSULTANTS

1

## **REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

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To the Board of Directors  
Coventry Capital, Inc.  
Granite City, Illinois

We have audited the accompanying statements of financial condition of Coventry Capital, Inc., a Delaware corporation, as of September 30, 2006 and 2005, and the related statements of income and comprehensive income, changes in stockholder's equity, changes in subordinated liabilities and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Coventry Capital, Inc. as of September 30, 2006 and 2005, and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

*Davis Keller & Wiggins LLC*

Certified Public Accountants  
November 7, 2006



**COVENTRY CAPITAL, INC.**  
**STATEMENTS OF FINANCIAL CONDITION**  
**SEPTEMBER 30, 2006 AND 2005**

	2006	2005
<b><u>ASSETS</u></b>		
Cash	\$ 360	\$ 28
Clearing deposit - marketable security	12,561	12,975
Commissions receivable	9,100	9,384
Interest receivable	89	89
Advances to related party	78,428	47,740
Office equipment and software, net of accumulated depreciation of \$59,089 and \$56,464	-	8,974
<b>Total Assets</b>	<b>\$ 100,538</b>	<b>\$ 79,190</b>
<b><u>LIABILITIES</u></b>		
Accounts payable	\$ 3,793	\$ 5,019
Accrued payroll taxes	85	30
Deferred income taxes	456	2,427
Income tax payable	7,867	2,472
<b>Total liabilities</b>	<b>12,201</b>	<b>9,948</b>
<b><u>STOCKHOLDER'S EQUITY</u></b>		
Common stock, authorized 2,000 shares, no par value, issued 107.5 shares, outstanding 97.5 shares	95,000	95,000
Contributed capital	1,000	1,000
Retained deficit	(9,834)	(29,343)
Accumulated other comprehensive income	2,171	2,585
<b>Total stockholder's equity</b>	<b>88,337</b>	<b>69,242</b>
<b>Total Liabilities And Stockholder's Equity</b>	<b>\$ 100,538</b>	<b>\$ 79,190</b>

See Accountant's Audit Report

The Notes to Financial Statements are an integral part of these statements.

**COVENTRY CAPITAL, INC.**  
**STATEMENTS OF INCOME AND COMPREHENSIVE INCOME**  
**YEARS ENDED SEPTEMBER 30, 2006 AND 2005**

	2006	2005
<b>REVENUES</b>		
Fee and commissions	\$ 164,334	\$ 159,624
<b>OPERATING EXPENSES</b>		
Advertising	410	1,105
Auto expense	1,823	854
Depreciation	10,898	4,583
Delivery expense	1,578	1,750
Donations	100	-
Dues	473	3,522
Compensation	7,628	28,628
Director fees	45,000	15,000
Entertainment and meals	6,160	6,110
Employee benefits	20,740	23,586
Office and other services	23,184	17,461
Outside services	-	950
Professional services	3,475	3,675
Regulatory fees	1,870	1,870
Rent	7,355	7,742
Taxes & licenses	1,482	3,131
Telephone	8,679	9,179
Travel	2,370	2,847
Total Operating Expenses	143,225	131,993
<b>OPERATING INCOME</b>	21,109	27,631
<b>OTHER INCOME</b>		
Interest income	4,296	2,224
<b>NET INCOME BEFORE INCOME TAXES</b>	25,405	29,855
<b>INCOME TAX EXPENSE (BENEFIT), NET</b>		
Current	7,867	2,472
Deferred	(1,971)	4,733
Total Income Tax Expense (Benefit), Net	5,896	7,205
<b>NET INCOME</b>	19,509	22,650
<b>OTHER COMPREHENSIVE GAIN (LOSS) - UNREALIZED NET GAIN (LOSS) ON MARKETABLE SECURITIES</b>	(414)	226
<b>COMPREHENSIVE INCOME</b>	\$ 19,095	\$ 22,876

See Accountant's Audit Report

The Notes to Financial Statements are an integral part of these statements.

**COVENTRY CAPITAL, INC.**  
**STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY**  
**YEARS ENDED SEPTEMBER 30, 2006 AND 2005**

	2006	2005
<b>COMMON STOCK</b>		
Authorized - 2,000 shares, no par value, issued 107.5 shares, outstanding 97.5 shares	\$ 95,000	\$ 95,000
<b>CONTRIBUTED CAPITAL</b>	1,000	1,000
<b>LESS TREASURY STOCK AT COST, 10 shares</b>	-	-
<b>RETAINED DEFICIT</b>		
Beginning balance	(29,343)	(51,993)
Net income	19,509	22,650
Ending balance	(9,834)	(29,343)
<b>ACCUMULATED OTHER COMPREHENSIVE INCOME</b>		
Unrealized gain on available for sale security, net of tax effect	2,171	2,585
<b>TOTAL STOCKHOLDER'S EQUITY</b>	<b>\$ 88,337</b>	<b>\$ 69,242</b>

See Accountant's Audit Report

The Notes to Financial Statements are an integral part of these statements.

**COVENTRY CAPITAL, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED SEPTEMBER 30, 2006 AND 2005**

	2006	2005
<b>OPERATING ACTIVITIES</b>		
Net income	\$ 19,509	\$ 22,650
Adjustments to reconcile net cash provided by operating activities:		
Depreciation and amortization	10,898	4,583
Deferred income taxes	(1,270)	4,733
Income tax payable	5,395	2,472
Effects of changes in:		
Commissions receivable	284	(2,482)
Other assets, net	-	-
Accounts payable	(1,226)	683
Accrued payroll taxes	55	(1,620)
<b>Net cash provided by operating activities</b>	<b>33,645</b>	<b>31,019</b>
<b>FINANCING ACTIVITIES</b>		
Increase in related-party advances	(30,688)	(30,994)
Increase in fixed assets	(2,625)	-
<b>Net cash used by financing activities</b>	<b>(33,313)</b>	<b>(30,994)</b>
<b>NET INCREASE IN CASH</b>	<b>332</b>	<b>25</b>
<b>CASH AT BEGINNING OF YEAR</b>	<b>28</b>	<b>3</b>
<b>CASH AT END OF YEAR</b>	<b>\$ 360</b>	<b>\$ 28</b>
<b>SUPPLEMENTAL DISCLOSURES</b>		
Cash paid during the year for:		
Interest	\$ -	\$ -
Income taxes	\$ 2,472	\$ -

See Accountant's Audit Report

The Notes to Financial Statements are an integral part of these statements.

**COVENTRY CAPITAL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Operations**

The Company is an introducing broker-dealer that receives no securities. It is subject to regulation by the Securities and Exchange Commission ("SEC"). The Company provides stock and bond brokerage services (approximately 79 and 78 percent of 2006 and 2005 revenues, respectively) and investment advisory services (approximately 21 and 22 percent of 2006 and 2005 revenues, respectively). Brokerage commission income is recorded net of clearing house charges on a settlement date basis. Advisory fees are computed and billed in advance for the following period at a contractual percentage of the client's month-end portfolio fair market value. As the broker-dealer's primary source of revenue is providing brokerage services to customers, who are predominantly middle-income individuals, its operations may be affected by economic fluctuations.

**Use of estimates**

Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

**Cash equivalents**

For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

**Equipment and software**

Equipment is stated at cost and is depreciated principally using accelerated methods over a five-year estimated life.

**Advertising**

The Company expenses advertising costs as they are incurred. Advertising expenses amounted to \$410 and \$1,105 during the years ended September 30, 2006 and 2005, respectively.

**Income taxes**

The provision for income taxes is based on an asset and liability approach to financial accounting and reporting for income taxes. The difference between the financial statement and tax basis of assets and liabilities is determined annually. Deferred income tax assets and liabilities are computed for those differences that have future tax consequences using the currently enacted tax laws and rates that apply to the periods in which they are expected to affect taxable income. Valuation allowances are established, if necessary, to reduce the deferred tax asset to the amount that will, more likely than not, be realized. Income tax expense is the current tax payable or refundable for the period plus or minus the change in the deferred tax assets and liabilities.

**Marketable Securities**

In accordance with Statement of Financial Accounting Standards No. 115, Accounting for Certain Investments in Debt and Equity Securities (FAS 115), marketable securities considered available-for-sale are recorded at fair market value if they have a readily determinable fair value. The corresponding accumulated unrealized gain or loss in the fair market value in relation to cost is accounted for as a separate item in the stockholder's equity section of the statement of financial condition, net of tax effect. Management believes that its investments in marketable securities should be classified as investments that are available-for-sale. Realized gains and losses on the disposition of securities and declines in value judged to be other than temporary are computed on the specific identification method and included in income.

**Comprehensive Income Reporting**

The Company accounts for comprehensive income in accordance with Statement of Financial Accounting Standards No. 130 "Reporting Comprehensive Income", which requires comprehensive income and its components to be reported when a Company has items of other comprehensive income (loss). During the years ended September 30, 2006 and 2005, the Company recognized other comprehensive income (loss) of \$(414) and \$226, respectively, which is included in the total of accumulated other comprehensive income in the statements of stockholder's equity. The comprehensive income amounts are attributed to the unrealized gain (loss) in the fair value of marketable securities (Note 3). Comprehensive income, consisting of net income plus other comprehensive income (loss), aggregated to \$19,095 and \$22,876 for the years ended September 30, 2006 and 2005, respectively.

## 2. ADVANCES TO RELATED PARTY

The Company has made advances to its' sole officer, which are due upon demand. The Company charged interest at five and four percent respectively for 2006 and 2005 on the average loan balances. Interest income for the years ended September 30, 2006 and 2005 was \$3,583 and \$1,490, respectively.

## 3. CLEARING DEPOSIT - MARKETABLE SECURITY

The Company is required to maintain a minimum deposit of \$10,000 in the Clearing account. The Company currently owns the following marketable security that is valued at market. The resulting difference between cost and market is included in other accumulated comprehensive income in the statement of stockholder's equity, net of tax effect. The cost and market values of these securities at September 30, 2006 and 2005 are as follows:

	2006	
	Cost	Market
\$10,000 U.S. Treasury Bond at 7-1/8 percent due February 2023	\$ 10,390	\$ 12,561
	2005	
	Cost	Market
\$10,000 U.S. Treasury Bond at 7-1/8 percent due February 2023	\$ 10,390	\$ 12,975

## 4. RENT EXPENSE

The Company conducts its operations from facilities that are leased on a month-to-month basis.

## 5. INCOME TAX

The deferred tax asset (liability) components as of September 30, 2006 and 2005 are as follows:

	2006	2005
Tax over book depreciation	\$ -	\$ (1,884)
Unrealized gain on marketable securities	(456)	(543)
Deferred Income Tax Benefit (Liability)	\$(456)	\$ (2,427)

## 6. CONCENTRATIONS OF CREDIT RISK

The Company is engaged in various trading and brokerage activities in which counterparties primarily include broker-dealers, banks, and other financial institutions. In the event counterparties do not fulfill their obligations, the Company may be exposed to risk. The risk of default depends on the creditworthiness of the counterparty or issuer of the instrument. It is the Company's policy to review, as necessary, the credit standing of each counterparty.





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10

## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON SUPPLEMENTARY INFORMATION

To the Board of Directors  
Coventry Capital, Inc.  
Granite City, Illinois

Our report on our audits of the basic financial statements of Coventry Capital, Inc. for the years ended September 30, 2006 and 2005 appears on page 1. These audits were done for the purpose of forming an opinion on the basic financial statements taken as a whole. The information on the following schedules is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by the Securities and Exchange Commission. Such information has been subjected to the auditing procedures applied on the examination of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Davis Keller & Wiggins LLC*

Certified Public Accountants

November 7, 2006

**COVENTRY CAPITAL, INC.**  
**SCHEDULES OF COMPUTATION OF NET CAPITAL**  
**SEPTEMBER 30, 2006 AND 2005**

	2006	2005
Assets	\$ 100,538	\$ 79,190
Liabilities	(12,201)	(9,948)
Stockholder's equity	88,337	69,242
Nonallowable assets	(78,428)	(56,714)
Tentative net capital	9,909	12,528
Haircuts	(691)	(714)
Net capital	9,218	11,814
Required capital	(5,000)	(5,000)
Excess net capital	\$ 4,218	\$ 6,814

See accountants' report on supplementary information.



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12

## SUPPLEMENTAL REPORT ON MATERIAL INADEQUACIES

To the Board of Directors  
Coventry Capital, Inc.  
Granite City, Illinois

For the years ended September 30, 2006 and 2005, there were no material inadequacies in the records of Coventry Capital, Inc.

*Davis Keller & Wiggins Inc*

Certified Public Accountants

November 7, 2006

**COVENTRY CAPITAL, INC.**  
**SCHEDULES OF CHANGES IN SUBORDINATED LIABILITIES**  
**SEPTEMBER 30, 2006 AND 2005**

	2006	2005
Subordinated liabilities at beginning and end of year	\$ -	\$ -

See accountants' report on supplementary information.